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Provisional summary record of the 2nd meeting
Held at Headquarters, New York, on Tuesday, 7 February 2006, at 3 p.m.

President: Mr. Hachani ..... (Tunisia)

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The meeting was called to order at 3.15 p.m.

Briefing on the *World Economic Situation and Prospects 2006*

1. **Mr. Ocampo** (Under-Secretary-General for Economic and Social Affairs) introduced the *World Economic Situation and Prospects 2006*, a report drafted, as in the past, by the Department of Economic and Social Affairs, the United Nations Conference on Trade and Development (UNCTAD) and the five United Nations regional commissions. His introduction was accompanied by a PowerPoint presentation.

2. The report emphasized that the world economy had slowed down in 2005, while still maintaining a relatively rapid rate of growth. After the peak in 2004, growth in trade had slowed from a rate of 11 per cent to about 7 per cent, while gross domestic product (GDP) growth had slowed from around 4 per cent to about 3 per cent. The overall rate of GDP and trade expansion was expected to be much the same in 2006.

3. Interestingly, economic growth in the developing world was much better than in the industrialized world: about 6 per cent, compared to about 2.5 per cent. In particular, for the third consecutive year the rate of growth in the least developed countries had exceeded that for the developing world as a whole, averaging over 6.5 per cent per year, a figure that was expected to be maintained in 2006. For sub-Saharan Africa the average was slightly lower, at about 5.5 per cent per year, but that was still the region's highest three-year rate ever recorded.

4. Those figures should be seen in the light of estimates by UNCTAD and the United Nations Industrial Development Organization (UNIDO) that per capita income in the least developed countries must grow at about 3 per cent to enable them to achieve the Millennium Development Goal of halving extreme poverty by 2015. Although some faced particular difficulties, caused by conflict and oil prices, 18 of the 41 least developed countries were achieving that figure. While the United States economy was expected to grow at only a little over 3 per cent, it would still outperform other parts of the industrialized world such as Japan or the European Union. In the developing world, it was expected that very rapid growth in China and India would raise the average to over 5 per cent, although Latin America would lag behind the average for the developing world as a whole, with an expected growth of only 3.9 per cent.

5. The report emphasized four major risks: a disorderly adjustment of global imbalances, persistence of high oil prices, a reversal of the substantial appreciation of house prices in a number of large economies, and a pandemic of avian influenza.

6. In relation to the first of those risks, he noted that the United States current-account deficit had record levels: over $800 billion reached in 2005. That was counterbalanced by surpluses in all other major regions of the world, which overall meant that there was a net transfer of resources towards the United States of America. The world's major economy had never before had such a high deficit for so long. Contrary to all expectations, however, the record deficit had coincided with a stabilization of the United States dollar, with in fact a slight appreciation in 2005. Thus, it was clear that the course of the world economy had enabled the United States of America to finance a record current account and trade deficit. Although the risk of a major disruption associated with that deficit seemed very low, the costs of such a disruption — if it should occur — would be very high.

7. Although it had been suggested that the United States deficit had been easy to finance because of a savings glut in the world economy, the Department of Economic and Social Affairs took a contrary view, namely that what was actually to be found was "investment anaemia". The question of how to manage that investment anaemia seemed to be one of the major issues facing the world economy.

8. The second risk related to oil prices. That was a risk of high probability and high cost. The previous year had seen a very steep increase in oil prices, declining slightly at the end of 2005 but then rising again early in 2006. The world economy had adjusted to relatively high oil prices, but a significant further increase in oil prices might generate disruptions, with the major industrialized countries adopting contractionary monetary policies to manage the inflationary effects.

9. The third risk involved a crash of house prices, particularly in the major industrialized economies and notably in the United States of America. The risk related not so much to the direct impact of falling housing prices but rather to the effect on consumption and global demand, and thus on economic growth.

Although a crash was fairly likely, it was unlikely to be very costly to the world economy.

10. The fourth risk, an avian flu pandemic, was difficult to assess but potentially costly, as had been shown by historical experience, notably the influenza pandemic following the First World War.

11. The major implication of the world economic situation was the need for more policy coordination to address the imbalances. It was quite clear that a correction achieved through a crash of the United States dollar would cause major financial disruption. The United States dollar was the denomination of most financial assets, which meant that a depreciation in the dollar would lead to significant wealth loss in the rest of the world.

12. The best scenario was not a correction of the United States dollar but rather some other correction that would reduce demand in the United States of America but at the same time increase it in the rest of the world, so as to maintain a rapid rate of world economic growth. Accordingly, the United States of America must reduce its fiscal deficit and stimulate private savings, and countries with a surplus must encourage investment. China must increase consumption in order to boost demand. As the report emphasized, the scenario of a very difficult balancing of the world economy offered an opportunity for the International Monetary Fund to play a central coordinating role. That would also offer an opportunity for the developing countries to make their voices heard in the discussions on the global economic imbalance.

13. Drawing attention to chapters II and III of the report, which analysed international trade and financial flows, including aid, to the developing world, he emphasized some of the major points made. First, the results of the World Trade Organization ministerial meeting in Hong Kong had to be described as very modest and marginal. There was much work remaining to be done in the forthcoming months in order to prevent the Doha Round from proving a disappointment. On the other hand, the external financing conditions for developing countries and economies in transition had improved during 2005. For emerging economies, the costs of external financing had reached historic lows. However, they must be cautious of taking advantage of exceptionally low risk premiums for external borrowing, because of the threat of a sharp reversal in the future.

14. Second, despite those favourable conditions, financial inflows remained limited, with the negative transfer of resources from the developing to the developed world having reached record levels in 2005, of almost $500 billion. That was because many developing countries had used their current account surplus and capital inflows to accumulate international reserves, largely denominated in United States dollars. Indirectly, therefore, the developing countries were helping to finance the United States deficit.

15. Following the Monterrey Consensus, official development assistance had resumed its upward trend, and could be expected to reach a level of 0.36 per cent of developed countries' GDP by 2010. While that would produce an extra $50 billion in assistance, half of it for sub-Saharan Africa, the rate would still only be half of the United Nations target of 0.7 per cent, reaffirmed in the 2005 World Summit Outcome.

16. **Mr. Ould Yolba** (Mauritania), noting the importance attached to the potential impact of an outbreak of avian influenza, asked whether other phenomena, such as drought, malaria or destructive pests, had been considered as factors having an influence on the economic growth of the developing countries.

17. **Mr. Ocampo** (Under-Secretary-General for Economic and Social Affairs) clarified that his presentation had covered only the overall trends, at a very general level. There was much more detailed analysis of each region in chapter IV of the report, which had been prepared by the regional commissions of the United Nations. Some of the elements referred to certainly had an economic impact on developing countries and on their agricultural sectors in particular.

Adoption of the agenda and other organizational matters (E/2005/45, E/2005/L.52, E/2006/1 and Corr.1, E/2006/2, E/2006/11, E/2006/12, E/2006/46 and E/2006/L.1)

18. **The President** drew attention to the draft proposals contained in document E/2006/L.1, submitted by the Bureau on the basis of informal consultations held pursuant to Council decision 1988/77, and subsequently orally revised during informal consultations.

Draft decision I: Proposed date of the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

19. *Draft decision I was adopted.*

Draft decision II: Provisional agenda for the 2006 substantive session of the Economic and Social Council

20. **The President** drew attention to the provisional agenda contained in chapter I of document E/2006/1. Before proceeding to the adoption of the draft decision, he reminded delegations that the question of follow-up to the World Summit on the Information Society did not appear on the agenda for the 2006 substantive session, and recalled that the participants in the *Tunis Agenda for the Information Society* had requested the Council to oversee the system-wide follow-up to the Geneva and Tunis phases of the World Summit on the Information Society. The Summit had decided that in implementing that task, the Council could benefit from the contribution of the Commission on Science and Technology for Development, one of its subsidiary bodies. However, for the Commission to be able to fulfil those new responsibilities, it would need to be reinforced. The Council had therefore been requested to review the mandate, agenda and composition of the Commission, at its 2006 substantive session. At the same session, the Council would consider the Secretary-General's report on the modalities of the inter-agency coordination of the implementation of the outcomes of the World Summit on the Information Society and his recommendations on the follow-up process, and the results of that consideration would be transmitted to the General Assembly.

21. **Ms. Hughes** (United States of America) said that her Government was studying the draft decision and requested more time to continue its deliberations on it.

22. **The President** said that he took it that the Council wished to defer consideration of the draft decision to a later date, in accordance with the request from the representative of the United States of America.

23. *It was so decided.*

Draft decision III: Basic programme of work of the Economic and Social Council for 2007

24. **The President** said that the basic programme of work of the Council for 2007 was contained in chapter II of document E/2006/1.

25. **Ms. Hughes** (United States of America) said that her Government needed more time to study the basic programme of work.

26. **The President** said that he took it that the Council wished to defer consideration of the draft decision to a later date, in accordance with the request from the representative of the United States of America.

27. *It was so decided.*

Draft decision IV: Working arrangements for the 2006 substantive session of the Economic and Social Council

28. **Ms. Hughes** (United States of America) asked for consideration of the draft decision to be postponed. Her Government was concerned as to whether the Council should include in the agenda for its organizational session an item on the reform of its working methods, or whether it should await the adoption of a decision by the General Assembly.

29. **Mr. Le Roux** (South Africa), speaking on behalf of the Group of 77 and China, asked how the Council would proceed with its consideration of the draft decision.

30. **The President**, recalling the ongoing discussion of the proposal made by the delegation of the United States of America at the previous meeting of the Council to include in the provisional agenda for the organizational session an additional item, as explained in document E/2006/46, as well as the ongoing discussion in the General Assembly regarding the working arrangements of the Council, said he took it that the Council wished to defer consideration of draft decision IV to a later date, pending further consultations.

31. *It was so decided.*

Draft decision V: Operational activities segment of the 2006 substantive session of the Economic and Social Council

32. **Ms. Hughes** (United States of America) proposed an amendment to the draft decision to reflect more

fully General Assembly resolution 59/250, to read as follows: "The Economic and Social Council decides that the work of the operational activities segment of its substantive session of 2006 should be devoted to further review of General Assembly resolution 59/250, including paragraphs 23 and 102, in order to evaluate its implementation with a view to ensuring its full implementation".

33. **Mr. Le Roux** (South Africa), speaking on behalf of the Group of 77 and China, said that, in view of the fact that the Council was not entitled to revisit or alter General Assembly resolutions, his Group would require more time to consider the United States proposal.

34. **Mr. Maksimychev** (Russian Federation) endorsed the comments made by South Africa on behalf of the Group of 77 and expressed caution regarding the use of the word "review" with respect to any General Assembly resolution.

35. **Ms. Zaunschirm** (Austria), speaking on behalf of the European Union, said that the European Union would consider the United States proposal.

36. **The President**, requesting the United States representative to transmit the proposed amendment to the Secretary in writing, said that he took it that the Council wished to postpone consideration of draft decision V.

37. *It was so decided.*

Draft decision VI: Theme for the regional cooperation item of the 2006 substantive session of the Economic and Social Council

38. **The President** invited the Council to turn its attention to draft decision VI, whereby, at the suggestion of the regional commissioners, the theme for the item on regional cooperation would be: "The regional dimension of creating an environment conducive to generating full and productive employment, and its impact on sustainable development".

39. **Ms. Hughes** (United States of America) proposed amending the theme to add, after "full and productive employment", the phrase, "and decent work for all," to conform to the high-level segment theme.

40. **Mr. Ndimeni** (South Africa), speaking on behalf of the Group of 77 and China, expressed willingness to consider the proposed amendment.

41. **Ms. Zaunschirm** (Austria), speaking on behalf of the European Union, said that the European Union would be ready to support the proposed amendment.

42. **The President** said that he took it that the Council wished to postpone consideration of draft decision VI, pending further consultations.

43. *It was so decided.*

Draft decision VII: Request for change of dates for the fifth session of the Committee of Experts on Public Administration

44. **Ms. Hughes** (United States of America) asked why the date of the fifth session had been changed, and whether extra expenditure would result.

45. **The President** said that the date had been changed to accommodate several of the experts and that the change would entail no additional financial outlays.

46. *Draft decision VII was adopted.*

Draft decision VIII: Participation of intergovernmental organizations in the work of the Council

47. *Draft decision VIII was adopted.*

Draft resolution E/2005/L.52: Report of the Committee for Development Policy on its seventh session

48. *Draft resolution E/2005/L.52 was adopted.*

Regional Commissions: Economic Commission for Africa

49. **The President** said that he took it that the Council wished to adopt the proposal that the Government of Burkina Faso should host the thirty-ninth session of the Economic Commission for Africa (ECA) in Ouagadougou, from 10 to 14 May 2006 to coincide with the annual meeting of the African Development Bank and the annual conference of Ministers of Finance, Planning and Economic Development; all additional expenses incurred by holding the session away from Addis Ababa would be borne by the host country.

50. *It was so decided.*

Elections, nominations, confirmations and appointments

Commission on Science and Technology for Development

51. **The President** said that the Group of Western European and other States had endorsed Switzerland to fill the outstanding seat on the Commission on Science and Technology for Development. He took it that the Council wished to elect Switzerland by acclamation for a term which would begin beginning on the date of election and expiring on 31 December 2008.

52. *It was so decided.*

53. *Switzerland was elected a member of the Commission on Science and Technology for Development.*

Committee for Programme and Coordination

54. **The President** said that the Group of Western European and other States had endorsed Israel to fill the outstanding seat on the Committee for Programme and Coordination. He took it that the Council wished to nominate Israel for election by the General Assembly to that Committee for a term which would begin on the date of election by the General Assembly and expire on 31 December 2008.

55. *It was so decided.*

56. **The President** said that he took it that the Council wished to postpone the nomination of one further member from the Group of Western European and other States for election by the General Assembly.

57. *It was so decided.*

Programme Coordinating Board of the Joint United Nations Programme on HIV/AIDS UN/AIDS)

58. **The President**, pointing out that Thailand was the only candidate for the outstanding seat on the Programme Coordinating Board of the Joint United Nations Programme on HIV/AIDS, said he took it that the Council wished to elect Thailand by acclamation for a term beginning on the date of election and expiring on 31 December 2008.

59. *It was so decided.*

60. *Thailand was elected a member of the Programme Coordinating Board of the Joint United Nations Programme on HIV/AIDS.*

61. **The President** said that Belgium had put forward its candidature for the seat on the Programme Coordinating Board which had been vacated by the Netherlands; he took it that the Council wished to elect Belgium to fill that seat for a term beginning immediately and expiring on 31 December 2006.

62. *It was so decided.*

63. *Belgium was elected a member of the Programme Coordinating Board of the Joint United Nations Programme on HIV/AIDS.*

Other matters

Special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

64. **The President**, in compliance with the requests made by the General Assembly in its resolution 58/230, briefed the Council on preparations for the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and UNCTAD. The key institutional stakeholders had been satisfied with the approach described in his informal note of 7 February 2006 on preparations for the 2006 Special High-level Meeting, which had been circulated to the Council, with suggestions on how to ensure that the meeting focused on the theme of implementation of the Monterrey Consensus and the 2005 World Summit Outcome. Four sub-themes had been suggested in light of the President's consultations with members of the Bureau and institutional stakeholders and the envisaged agenda of the latter's intergovernmental bodies. The sub-themes were: national development strategies as related to internationally agreed development goals, including the Millennium Development Goals; fulfilling the development dimension of the Doha work programme: next steps, including in the area of "aid for trade"; external debt: building on current initiatives to enhance debt sustainability; and supporting the development efforts of middle-income developing countries.

The meeting rose at 4.25 p.m.